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May 4, 2006

MEMORANDUM

TO: Legislative Education Study Committee

FR: Frances R. Maestas

RE: STAFF BRIEF: PED PROCEDURES FOR PREPARATION OF FY 07 PUBLIC SCHOOL BUDGETS

Current law requires that each local school board establish the operating budget for the district for the upcoming fiscal year prior to June 20. In turn, the Public Education Department (PED) is required to approve school district and charter school operating budgets on or before July 1 and to provide timely information to the Legislative Education Study Committee (LESC) upon request.

Issues:

- For FY 07, the Legislature appropriated nearly \$2.3 billion to fund public school support and recurring related education appropriations. After "sanding" (which means an across-the-board reduction of 0.105 percent), this amount represents an increase of approximately \$163.6 million, or 7.7 percent, over FY 06 – a greater increase in new dollars designated for education than the previous high of \$149.0 million appropriated by the 2001 Legislature.
- Each year, the Legislature includes language in the *General Appropriation Act* directing the Secretary of Public Education to follow certain procedures in the approval and development of public school budgets. For FY 07, the language in the act requires the secretary of PED to:
 - Establish a preliminary unit value to develop budgets for school year 2006-2007 and then upon verification of the number of units statewide for FY 07 to adjust the program unit value no later than January 31, 2007. (The Secretary of Public Education has established a preliminary unit value of \$3,444.35 for FY 07, which represents an increase of \$246.34, or 7.7 percent, over the FY 06 final unit value of \$3,198.01. The unit value is determined by dividing the appropriated Program Cost by the total number of units statewide).

- Verify that each school district or charter school provides an average 5.0 percent salary increase for all teachers, other licensed school employees and nonlicensed school employees, except educational assistants; and an average 9.5 percent salary increase for educational assistants.
 - Verify that school districts and charter schools have implemented the salary increase prior to implementing the \$45,000 minimum salary for Level 3-A teachers.
 - Ensure, in collaboration with the Office of Education Accountability, that Level 3-A teachers receiving salary increases have been evaluated and have the required professional competencies for this level and for any teacher who has not been evaluated, the minimum salary must be withheld.
- On March 28-31, 2006, PED, in collaboration with the New Mexico Association of School Business Officials, conducted the 2006 Spring Budget Workshop for school personnel statewide to discuss changes and updates for school year 2006-2007 operating budget process, including language included in the *General Appropriation Act of 2006*.
 - Questions from school personnel to the LESC indicated that there was confusion on guidelines provided by PED staff for the implementation of average salary increases for school personnel. Subsequently, the Secretary of Public Education distributed a memorandum (see Attachment), dated April 11, 2006, to school districts and charter schools providing direction and additional clarification on the intent of the language in the *General Appropriation Act of 2006* with regard to the mandatory average salary increases for public school employees. According to school district personnel, confusion still exists with regard to this issue.

Background:

Included in the approximately \$2.3 billion appropriated by the 2006 Legislature for public school support and related appropriations is more than \$2.1 billion for distribution through the State Equalization Guarantee (SEG).

- For each school district, the SEG plus certain local and federal revenue equals Program Cost, which is the amount of money assumed under the Public School Funding Formula to be necessary for a district to provide educational services to all of its students, taking into account their individual needs.
- For FY 07, the statewide appropriated Program Cost is approximately \$2.2 billion and includes:
 - a reduction of \$3.0 million to reflect an adjustment for prior year workload decline;
 - \$11.9 million for enrollment growth;
 - \$3.2 million for fixed costs;
 - \$21.2 million to fund insurance costs;

- approximately \$83.7 million for a 5.0 percent average salary increase for teachers, other instructional staff, and all other certified and noncertified school personnel, except educational assistants (a 5.0 percent average salary increase for school transportation employees is included in the transportation appropriation);
 - an additional \$7.9 million to provide a 9.5 percent average salary increase for educational assistants;
 - over \$6.8 million for the implementation of a \$45,000 minimum salary for Level 3-A teachers;
 - \$13.2 million to fund a 0.75 percent increase in the employer's contribution to the Educational Retirement Fund for FY 07; and
 - approximately \$4.8 million to fully fund elementary fine arts programs at a 1.0 student FTE.
- In related public school budget appropriations, the 2006 Legislature provided approximately \$7.0 million in emergency supplemental funds to allow the secretary to make emergency distributions to school districts in financial need.

Presenters:

For this presentation, Mr. Don Moya, Deputy Secretary for School Finance and Operations, PED; and Mr. Stephen Burrell, Director of School Budget and Finance Analysis Bureau, PED, will discuss the requirements and procedures that school districts and charter schools must follow in the preparation of their FY 07 operating budgets, including requirements in the *General Appropriation Act of 2006* or other legislation that may affect the distribution of the dollars appropriated for the operation of public schools.

The discussion will include PED's timelines and procedures for the distribution of FY 07 dollars appropriated by the 2006 Legislature for specific initiatives, such as the Teacher Professional Development Fund and Emergency Supplemental distributions.

Questions the committee may wish to consider:

1. How will PED verify that school districts and charter schools are providing the salary increases for school personnel included in the *General Appropriation Act of 2006*?
2. How will PED verify that school districts are providing the \$45,000 minimum salary for teachers with Level 3 licenses?
3. How will PED and OEA verify that all Level 3-A teachers receiving salary increases under the minimum salary provision of the three-tiered licensure system have been evaluated and have the required professional competencies?
4. What are some of the reasons why school districts and charter schools may not have sufficient resources to give all of their employees, including transportation employees, the required salary increases for FY 07?

5. What is the projected minimum salary for educational assistants in school year 2006-2007?
6. What is the application process PED is using to implement the final year of elementary fine arts programs? On what basis will the funding be distributed?
7. How does PED determine financial need in distributing available emergency supplemental funds appropriated by the Legislature?
8. How are the funding needs of school improvement schools addressed by school districts during the budget development process?
9. How will PED verify that each school district and charter school is able to meet state mandates within a balanced budget?



ATTACHMENT

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DR. VERONICA C. GARCÍA
SECRETARY OF EDUCATION

BILL RICHARDSON
Governor

MEMORANDUM

April 11, 2006

RECEIVED

APR 20 2006

LESC

TO: Public School Superintendents
Charter School Officials
Local Board Presidents
Business Managers

FROM: Dr. Veronica C. García VCG
Secretary of Education 48 8

RE: Clarification of Salary Increases contained in the 2006 General Appropriation Act

The purpose of this correspondence is to provide direction and additional clarification on the intent of the General Appropriations Act, Laws of 2006 with regard to the mandatory average salary increases for public school employees.

The Act contains the following language:

The general fund appropriation for the state equalization guarantee distribution contains sufficient funds to provide an average five percent salary increase for all teachers, an average nine and one-half percent salary increase for educational assistants and an average five percent salary increase for other instructional staff and other licensed and nonlicensed staff, effective on the first full pay period after July 1, 2006. Prior to the approval of a school district's or a charter school's budget, the secretary of public education shall verify that each school district or charter school is providing an average five percent salary increase for all teachers and other licensed school employees; an average five percent salary increase for nonlicensed school employees, except educational assistants; and an average nine and one-half percent salary increase for educational assistants.

The general fund appropriation for the state equalization guarantee distribution contains sufficient funds to implement the forty-five thousand dollar (\$45,000) minimum salary for level three-A teachers. The secretary of public education shall verify that school districts and charter schools have implemented the salary increases for teachers prior to implementing the minimum salaries for level three-A teachers.

Districts are to give licensed teachers an average 5% salary increase then, in addition, bring all the qualified level three-A teachers (including librarians) up to the \$45,000 minimum. The use of the word "average" in the General Appropriations Act was added to provide districts with additional flexibility for salary increases for certain groups of teachers depending on the priorities of the local boards of education.

Example: District A has six teachers; three have a level 3 license and are eligible for the \$45,000 minimum. Their current salaries are as follows:

		Step 1 – Implement salary increase		Step 2 – Bring Level 3 Teachers to \$45,000 minimum		
License Level	Current Salary	5% Increase	Total	Additional Amount Needed for Level 3 Teachers	Proposed Salary	% Increase
	\$37,892	\$1,894.60	\$39,786.60		\$39,786.60	5%
	\$34,623	\$1,731.15	\$36,354.15		\$36,354.15	5%
	\$32,754	\$1,637.70	\$34,391.70		\$34,391.70	5%
Level 3	\$40,000	\$2,000.00	\$42,000.00	\$3,000.00	\$45,000.00	13%
Level 3	\$44,500	\$2,225.00	\$46,725.00		\$46,725.00	5%
Level 3	\$50,000	\$2,500.00	\$52,500.00		\$52,500.00	5%
Totals	\$239,769	\$11,988.45		\$3,000.00	\$254,757.45	
		Total Weighted Average for Salaries:			6.25%	

Districts are to give educational assistants (including library assistants) an average 9.5% salary increase. The use of the word "average" was added to provide districts with additional flexibility of salary increases for certain groups of educational assistants depending on the priorities of the local boards of education.

If districts cannot meet the intent of the legislation in the General Appropriations Act with regard to salary increases for school district employees and the \$45,000 minimum for level three teachers, they may apply to the PED for supplemental emergency funding.

VCG/dm/dm

cc: James Jimenez, Cabinet Secretary, Department of Finance and Administration
David Abbey, Director, Legislative Finance Committee
Dr. D. Pauline Rindone, Director, Legislative Education Study Committee
PED Executive Team
Steve Burrell, Director, School Budget and Finance Analysis Bureau
Budget Analysts, School Budget and Finance Analysis Bureau